



Reciprocal State Tax Resident Withholding



Kentucky has reciprocal tax agreements with seven states: Illinois, Indiana, Michigan, West Virginia, Wisconsin, Virginia, and Ohio. If an employee who is a resident of a reciprocal income tax state presents a Certificate of Nonresidence (Kentucky Department of Revenue Form 42A809) and meets the requirements set forth on the form for his or her resident state, the Commonwealth does not withhold state income tax on his or her wages, but does report the taxable wage base on the W-2. If an employee whose residence address is that of a reciprocal tax state does not meet the requirements of Kentucky Department of Revenue Form 42A809 Certificate of Nonresidence to qualify for tax reciprocity, or elects not to submit a Form 42A809 Certificate of Nonresidence, the employee should submit a K-4 form and Kentucky state income tax must be withheld against his or her wages.

- If an employee submits a Certificate of Nonresidence, the HRA should set up KY as their residence state on IT0207. This establishes the state income taxable wages. On IT0210, the record should reflect Kentucky and the tax exempt indicator should be R – Exempt, Reportable.
- If the employee submits a K-4 form, the employee should be set up with KY as their residence state on IT0207. This establishes the state income taxable wages. On IT0210, the record should reflect Kentucky and be set up in accordance with the information on the K-4.
- If the employee does not submit a Certificate of Nonresidence or a K-4 form, the employee must be set up for Kentucky on IT0207 and Kentucky, 0 exemptions, on IT0210.

Kentucky employers are not required to withhold state income taxes against the wages of employees, who are residents of reciprocal states, meet the requirements outlined in the instructions on the Certificate of Nonresidence, and submit Certificates of Nonresidence to their employers.

The Certificate of Nonresidence form may be found here: <http://www.revenue.ky.gov/NR/rdonlyres/B31AA48A-6E3D-4BFD-B892-25DC9C6A4384/0/42A809.pdf>.